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ORIGINAL

MEMORANDUM

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2001 NOV 21 P 2:33

TO: Docket Control

FROM: Ernest G. Johnson *ED/Em*
Director
Utilities DivisionAZ CORP COMMISSION
DOCUMENT CONTROL

DATE: November 21, 2001

RE: STAFF REPORT FOR ARIZONA WATER COMPANY - APPLICATION FOR AN
EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO
PROVIDE WATER SERVICE IN PINAL COUNTY (DOCKET NO. ~~0445A-01-~~
~~0688~~)*W-01445A-01-0688*

Attached is the Staff Report for the above referenced application for an Extension of its Certificate of Convenience and Necessity. Staff is recommending an approval of the application. Staff further recommends that a hearing should be held in this matter.

EGJ:JEF:nms

Originator: Jim Fisher

Attachment: Original and Ten Copies

Arizona Corporation Commission

DOCKETED

NOV 21 2001

DOCKETED BY

WJ

Service List for: Arizona Water Company
DOCKET NO. W-01445A-01-0688

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**ARIZONA WATER COMPANY
DOCKET NO. W-01445A-01-0688**

**APPLICATION FOR AN EXTENSION
OF ITS CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE WATER SERVICE
IN PINAL COUNTY, ARIZONA**

NOVEMBER 2001

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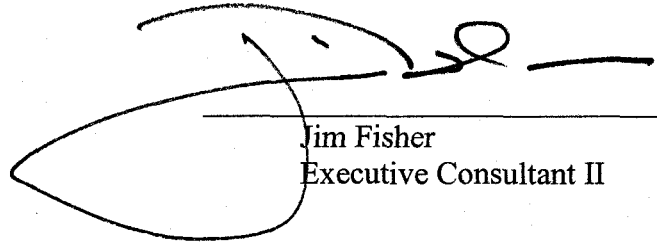
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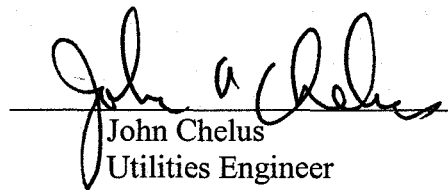
STAFF ACKNOWLEDGEMENT

The Staff members designated below contributed elements of this Staff Report.

Contributing Staff:



Jim Fisher
Executive Consultant II



John Chelus
Utilities Engineer

Introduction

On August 31, 2001, Arizona Water Company ("AWC" or "Company") filed an Application for an Extension of its Certificate of Convenience and Necessity ("CC&N") to portions of Pinal County, for water services with the Arizona Corporation Commission ("ACC").

Background

AWC is an Arizona corporation, granted by the ACC to provide water service through authorized CC&N's within portions of Gila, Navajo, Cochise, Maricopa, Pima, Yavapai, Coconino and Pinal counties, Arizona. The ACC initially granted AWC a CC&N in 1955. The company currently serves approximately 605,000 customers.

By this application, AWC seeks to extend its CC&N to serve an additional two half sections, in Section 33, in Township 1 North, Range 9 East and Section 1, Township 1 South, Range 8 East. Both half sections are adjacent to AWC's existing CC&N in Pinal County (see attached map and legal description).

AWC has been requested by the Section 33 Water Users Association, a group of property owners, to extend the AWC CC&N and provide water to the members. AWC estimates that the total number of customers to be served in Section 33 at 50 within five years.

The AWC CC&N extension into Section 1 is supported by the Apache Junction Water Company, formerly known as Water Utilities Community Facilities District, which obtained the former Consolidated Water Utilities CC&N in a bankruptcy proceeding. AWC has provided a copy of a July 23, 1997, letter from Apache Junction Water Company as Exhibit #8 to the Application. The letter discusses the Company's "distribution lines running through" the section and that the Company would be "a logical water provider." In addition, AWC has provided all property owners in the proposed area with individual notice of this application.

AWC is financially capable to construct, operate and maintain the facilities necessary to provide service to the extension area. AWC will continue to charge it's currently authorized rates and charges for its Apache Junction system to the extension area. In addition the Company holds a Pinal County franchise for the extension area.

AWC is in compliance with the ACC's filing requirements and current on its taxes.

Ability to Serve

The Company is serving approximately 15,250 customers on this system thus far in the year 2001. Based on information supplied by the Company, they have adequate plant facilities to provide service to the new area.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the water system under ADEQ System No. 11-004. Based on data submitted by the Company, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arizona Department of Water Resources ("ADWR") Compliance

The Company is located within the Phoenix Active Management Area ("AMA") and consequently is subject to reporting and conservation rules. The Phoenix AMA reported that the Company is in compliance with the ADWR reporting and conservation rules.

Compliance with Previous Orders

The Utilities Division Compliance Officer reported no outstanding compliance issues for AWC.

Staff Analysis

AWC is requesting a small extension of two half sections adjacent to its existing service territory. AWC currently has substantial facilities serving the area adjacent to the extension area with some distribution facilities in one of the proposed extension areas and has been requested by property owners to provide service.

The proposed extension in Section 1 is supported by the Water Utilities Community Facilities District. The water district is also adjacent to the proposed extension and the only other water provider in position to extend services to the proposed area.

AWC is in compliance with ADEQ and ACC requirements. The company is meeting a need for service and has demonstrated that it is a fit and proper company to serve the proposed extension areas.

Recommendations

Staff recommends that the Commission grant approval of AWC's application to extend the CC&N consistent with the legal description provided.

Staff further recommends that the Commission require AWC to charge its existing rates and charges in the extension area.

EXHIBIT #1

PARCEL 1

The North half of Section 33 in Township 1 North, Range 9 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

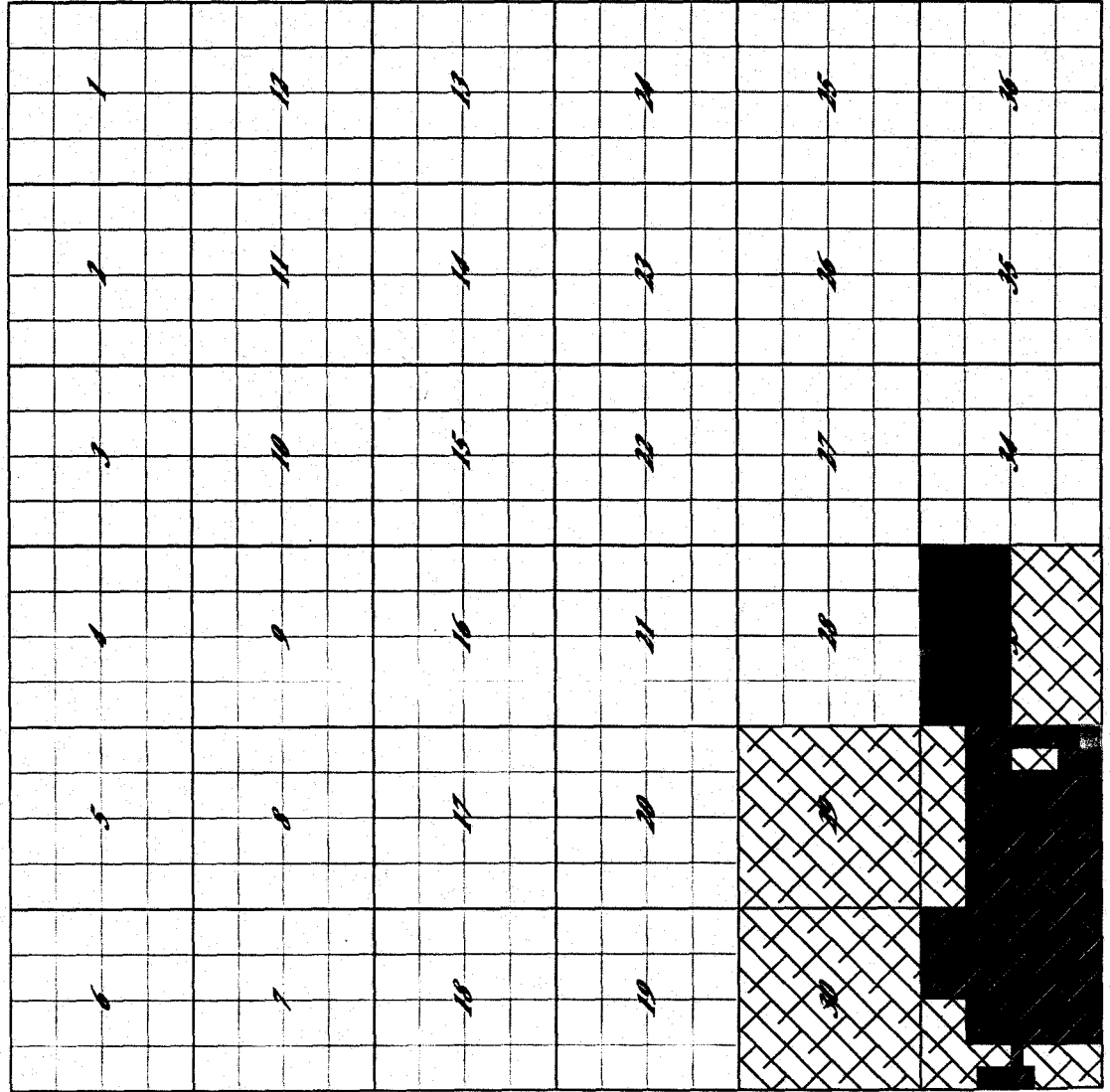
PARCEL 2





That portion of Section 1, Township 1 South, Range 8 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, lying North of and East of U.S. Highway 60-70-80-89.

COUNTY: Pinal

RANGE 9 East

TOWNSHIP 1 North



-  W-1445 (30)(6)
Arizona Water Company
(Apache Junction)
-  SW-2519 (2)
Gold Canyon Sewer Company
-  Gold Canyon Sewer Company
Docket No. SW-2519-00-692
Application for Extension
-  Arizona Water Company
Docket No. W-1445-01-688
Application for Extension

COUNTY: Pinal

RANGE 8 East

TOWNSHIP 1 South

